

Budget Update for 2024/25

1 Purpose of the paper

- 1.1 The purpose of this paper is for discussion and to provide the Board with an update on our budget allocation as a result of developments since the Board discussed the 2024/25 budget at their March meeting.
- 1.2 The Board is asked to:
 - **Note** that the Executive Management Team (EMT) has progressed with the 2024/25 budget allocation to deliver the FSS priorities including our statutory functions for food and feed, the Food and Health Research (FHR) Programme as well as essential underpinning core business activities.
 - **Discuss and provide a view on** the allocation of the resource budget made by EMT for 2024/25.
 - **Note** the risks and issues associated with the budget for 2024/25.

2 Strategic Aims

- 2.1 This work supports delivery of all the strategic outcomes and goals in our strategy to 2026 with the focus on the two years detailed in the new corporate plan for 2024-2026.

3 Background

- 3.1 In the [Scottish Budget: 2024 to 2025](#) the FSS Resource allocation for the year is £22.6 million (m) and an Annually Managed Expenditure (AME) budget of £0.35m to meet expenses for pension liabilities. In addition, FSS will receive £0.07m funding for the Scottish pilot contributing to the UK Pathsafe research programme. This budget will be part of the UK/SG budget transfers at the Spring Budget Review (SBR).
- 3.2 Following discussions with the Agriculture and Rural Economy Directorate (ARE), an additional £500k is being transferred internally from within SG to FSS at the Autumn Budget Review (ABR). This funding is for FSS to administer a one-off support package to the meat industry in recognition of the financial challenges it is currently facing. Payments will be contingent on the industry working with FSS to bring 2024-25 income payments up to date, clear all outstanding debt and paying future invoices at our agreed 2024 - 25 rates.
- 3.3 The current planning assumption for resource allocation is that the budget will be used to deliver our statutory functions and essential underpinning core business. The budget takes account of the new organisational structure implemented in April 2024. We have internally allocated the resource budget for planning, monitoring and reporting purposes.

4 Discussion – Allocation of Budget

- 4.1 As part of the budget planning round there has been a greater value of bids than budget available to support the delivery of our strategy and corporate plan. The initial budget bids submitted throughout the organisation totalled £26.8m, exceeding the resource budget by £4m. These bids included new proposals for project activity under programme and capital expenditure, additional asks for new staffing requirements to support programmes of work eg SAFER or new project activity as well as increases in administrative spend to align with new posts and projects. The budget for income at that time did not take account of the new charge out rates for 2024/25 due to the timing of the bids.
- 4.2 Following the various asks for Divisional level budgetary reductions and discussion on the budget bids, £23.67m resource budget has been internally allocated to deliver the FSS priorities and is the basis for forecasting across FSS. This budget, broken down into committed and non-committed spend, will result in an approx 90/10 split. The flexibility in the non-committed spend is mainly within the admin budget, e.g. training, travel, consumables etc., as well as with funding provided for new project activity.
- 4.3 The allocation of the budget is taking into account an expected 4% vacancy assumption running through the year. This will be subject to ongoing review by EMT and form part of our usual monthly budget and forecasting update. After the end of the first quarter, the forecast outturn for the year will be formally reviewed and an assessment made as to whether some projects or activities need to be paused or stopped to enable the expenditure to be brought within budget.
- 4.4 The budget has been allocated across five budget category areas as well as across our five strategic outcomes and the seven new roles detailed in the corporate plan. The charts in Annex A provide the high level summary of this allocation including the starting point of budget bids for each budget category and the movement to the final budget allocation, the percentage spend against each of the outcomes and roles where, for example, 38% of the budget is for delivery against Strategic Outcome 1 – Food is Safe and Authentic. Further detail of the spend within each budget category can be found in the Financial Management Plan that accompanies this paper, which also provides some scenario planning on the budget.
- 4.5 The Staff budget is based on an indicative 295 posts being filled either partially or fully funded during the financial year. We were carrying a number of vacancies at the end of 2023/24 and it is expected that updates to forecast will show an underspend against the staff budget that will continue during the current year until posts are filled. A number of recruitments are in progress for core business activities, including within the Operational Delivery Division, to backfill vacancies when staff left FSS.
- 4.6 FSS has reconveyed the recruitment panel to monitor and scrutinise new and emerging vacancies across the financial year. This will bring together business and workforce planning arrangements and ensure senior management oversight.

- 4.7 Administration (running costs) budget has ensured ongoing costs across the business can be met for areas such as accommodation, training, shared services for IT, HR etc. The budget bids exercise initially led to increased requirements in some areas for example travel and accommodation, subscriptions and licence fees; the majority of these budgets have been kept at the outturn spend for 2023/24. The shared services resource costs for procurement activity have also been set based on the outturn spend for the previous financial year.
- 4.8 The programme budget allocation across core activity is largely based on continued obligations around the delivery of official controls (£3.8m) including feed delivery; Local Authority enforcement delivery support & Food Crime/Incidents management (£0.15m), and Communications and Marketing (£0.23m). The FHR Programme includes food safety research, analysis and risk assessment (£0.6m) as well as public health nutrition (£0.21m).
- 4.9 The income budget has been adjusted to include the charge out rates for 2024/25 and to reflect any changes to the requirements for the delivery of meat official controls in plants during the year. This resulted in additional income that will partially offset the increased costs of delivering the service. We will continue to track industry activity that could influence income forecasts and will ensure the Board is appraised as required.
- 4.10 There are only a few new project bids that will be required to be taken forward via a procurement exercise by SG procurement shared services who carry out the procurement tenders for FSS. This timetable of work is being finalised to prioritise activities, together with existing contract renewals or extensions, to ensure that key projects are delivered within the timeframes required.
- 4.11 Any further funding proposals that come forward will go through a process of prioritisation that will require further discussion by EMT. The intention is that this will support EMT to deliver the strategic outcomes and to make decisions on what may or may not be funded depending on the final financial position we find ourselves in.

5 Identification of risks and issues

- 5.1 As part of our approach to managing risk, we continue to identify one of the main risks we face as an organisation is our budget being reduced or being impacted by wider financial pressures across the Scottish administration due to the ongoing financial challenges in the public sector.
- 5.2 SG Health Finance officials have continued to engage with FSS to ensure that its business and associated pressures are appropriately understood. Regular dialogue will continue with SG colleagues to ensure they are kept informed of issues faced by the organisation.
- 5.3 From the figures in Annex A, the budget is currently over-allocated by £0.98m at the start of the financial year which reduces to £0.2m with the 4% vacancy assumption. The over-allocation of budget will be a risk for the organisation and will be closely monitored during the year by EMT and through our monthly financial reports.

- 5.4 FSS is part of the SG Main (SGM) bargaining unit for pay settlements and is responsible for implementing the agreed settlement. The staff costs in the budget allocation in Figure 1 reflects the agreed pay amounts for 2024/25 and any pay progression as staff move up their pay grades. Factoring in this cost gives an overall increase of approx. 5.7% in the pay costs for the year leading to a 4.4% cut in available budget.
- 5.5 As part of the budget planning round, a number of risks and issues were identified with the reductions required to the budget bids this year. A summary of these has been provided in the table at Annex B to inform the Board of the risks identified by each Division in the organisation.

6 Equality Impact Assessment and Fairer Scotland Duty

- 6.1 The budget is used to deliver the outcomes and goals in the FSS strategy and corporate plan. The strategy was finalised in 2021 and the new Corporate Plan for 2024-26 agreed in March 2024, both are published on our website. An Equality Impact Assessment (EQIA) and the review of the Fairer Scotland Duty was included in the Board paper in 2021.
- 6.2 The current budget allocation is aligned to both the strategy and new corporate plan and there are no new areas of business that FSS is responsible for delivering in the current year.

7 Conclusion/Recommendations

- 7.1 The focus for the year ahead will be to deliver our core business-as-usual activities and the priorities identified in the new corporate plan, including key programmes of work to meet the aims of our strategic plan.
- 7.2 The Board is asked to:
- **Note** that EMT has progressed the 2024/25 budget allocation to deliver the FSS priorities including our statutory functions for food and feed, the FHR Programme as well as core business activities.
 - **Discuss and provide a view on** the allocation of the resource budget made by EMT for 2024/25.
 - **Note** the risks and issues associated with the budget for 2024/25.

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Annex A

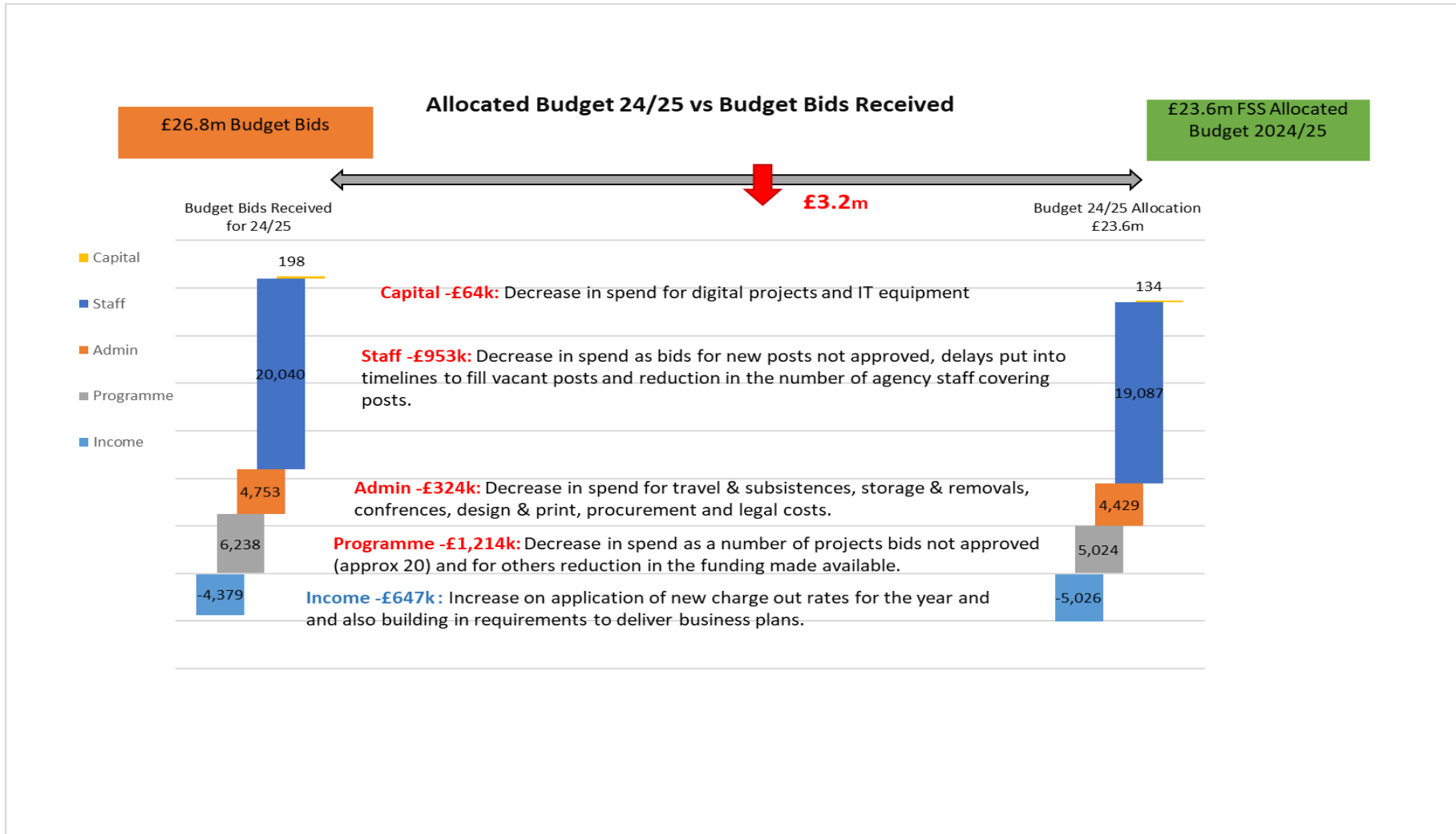


Figure 1 - Allocation of budget to Strategic Outcomes

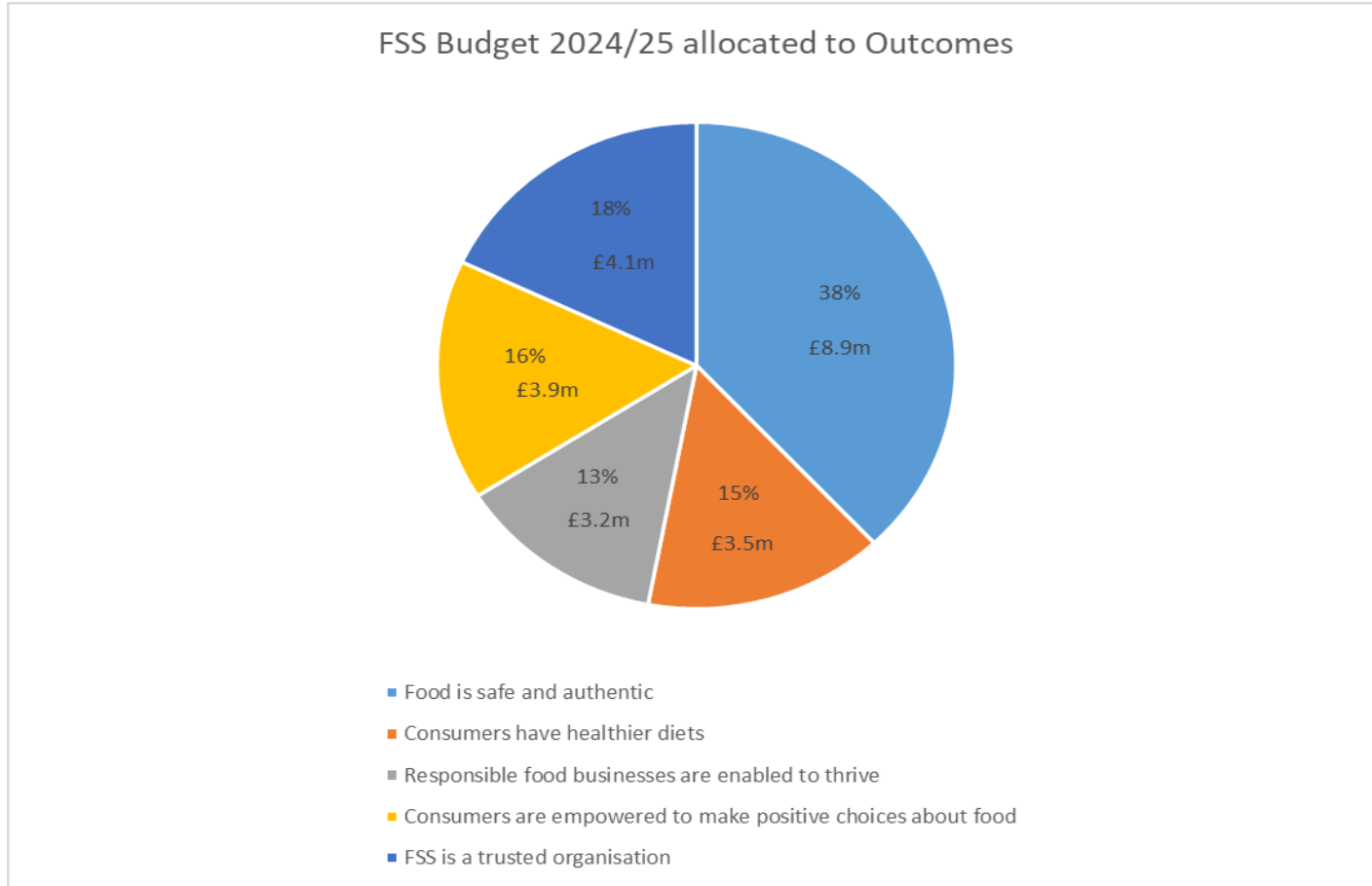


Figure 2 - Allocation of budget to Strategic Outcomes

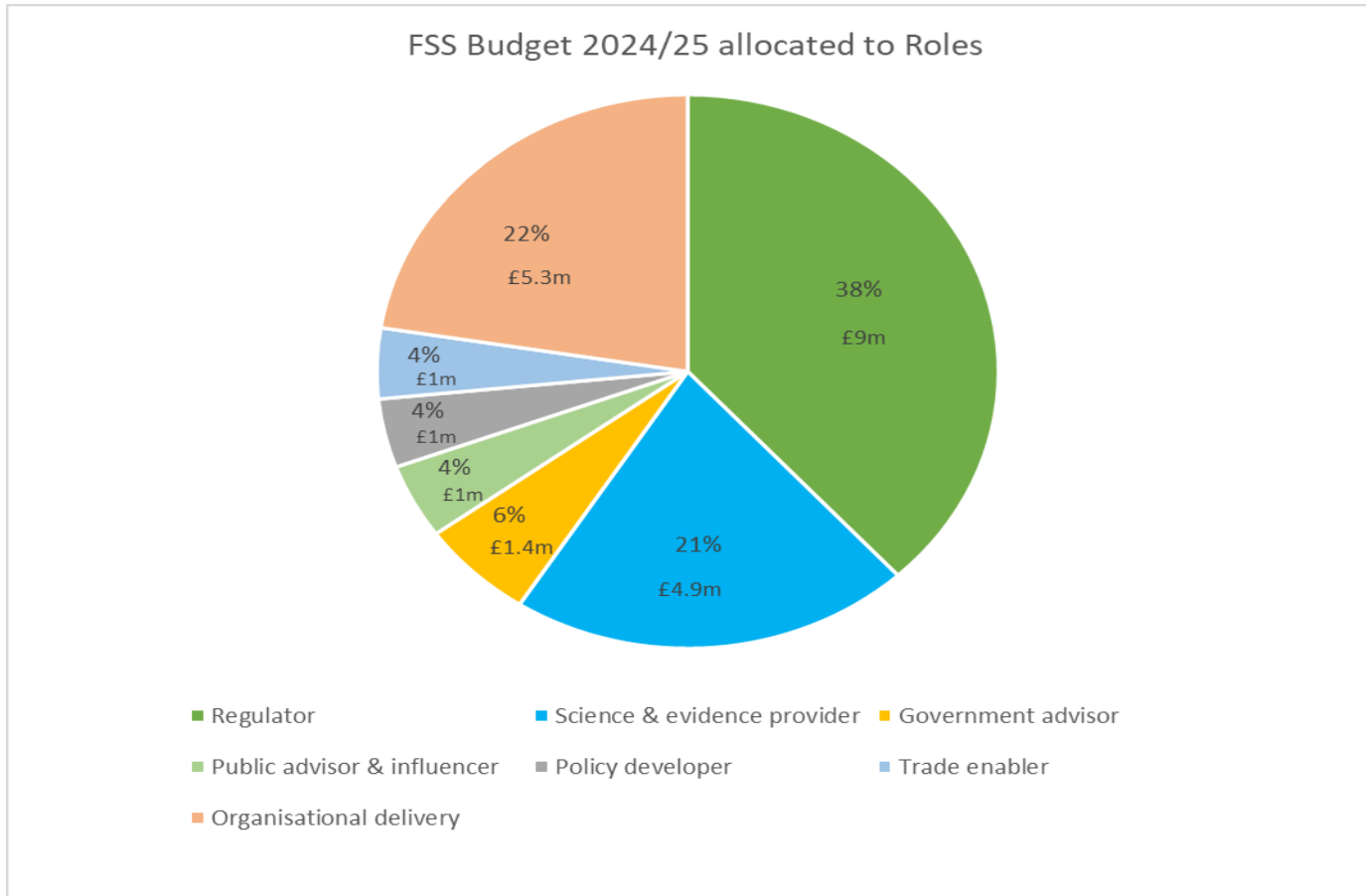


Figure 3 - Allocation of budget to Roles in Corporate Plan

Annex B

Key risks and issues at Divisonal level associated with budget reductions

DIVISION	REDUCTION	COMMENTARY ON BUDGET REDUCTIONS
Operational Delivery	£500K	Official controls delivery one of our main strategic risks and have made proposed reductions in programme, admin, and capital. There are therefore some areas that cannot be reduced (e.g staffing) and other areas, where further reductions could be still made depending on risk appetite, in terms of our compliance as competent authority and the delivery of official controls.
Marketing & Communications	£210k	Spend that historically would have been allocated to campaigns/ comms support/ consumer events has been reduced, and whilst we can drive hard and do what we can to maintain visibility of FSS, predication that awareness levels will inevitably drop.
Science Delivery	£686k	<p>On-going reductions of the budget will call into question the feasibility of our FHR Programme and is already impacting on our ability to engage productively with other funders to seek opportunities for co-funding in areas of shared interest. Key projects identified in our 2023 evidence prioritisation process have now had to be cancelled alongside strategic evidence gathering activities.</p> <p>The freeze on recruitment will significantly impact on our ability to deliver commitments in our strategy and corporate plan relating to risk assessment, data science and foodborne illness reduction strategy.</p>
Public Health Nutrition	£233k	As per the Science division these reductions and uncertainties in the budget position call into question the feasibility of nutrition monitoring and research within the FHR Programme given the very limited budget allocation.

		Ability to deliver corporate plan commitments impacted due to the lack of programme funds particularly the dietary surveillance strategy and monitoring the retail and out of home food environments.
Infrastructure & Governance	£397k	<p>Budget reduction for legal services is not without risk and impact for the policy teams. Even reducing legal support by 0.5 FTE will have significant consequences on current work plan (now agreed in the CP) around RP reform/BAU, Precision Breeding and any legislative work coming from Borders Target Operating model work or depending on where FSS lands on allergen labelling.</p> <p>There is potential risk to FSS should there be SG wide devices refresh for security reasons or to replace unsupported assets.</p> <p>Risk that there will be limited opportunity for 'high ticket price' training and limit bringing in external expertise to provide learning opportunities for staff. This was identified as a priority area for action following people survey results.</p>
Local Authority Delivery/SAFER	£918k	<p>The failure of LA's to deliver Official Controls is the highest strategic risk held on the FSS risk register. Reduction in delivery of statutory functions in areas where FSS is the direct Competent Authority and in areas which have a Red audit i.e. egg hygiene.</p> <p>The delay in recruitment of key posts also impacts our ability to deliver any changes and improvement in this area as required in the outstanding Audit report. The inability to support Scottish LAs in achieving compliance with these regulations has potential impact upon future export of dairy and dairy products.</p> <p>SAFER engagement and initiatives were reduced by almost half the original bid.</p>
Policy	£271k	<p>If the labelling post is not backfilled then any new work on labelling reform/changes following the Defra announcements in January, and any work on the back of the FSA position on allergens labelling, will not be supported.</p> <p>The regulated products post supports the whole team deliver authorisations - this post not being recruited for will maintain pressure on the team against a backdrop of</p>

		<p>increasing authorisations. Both posts were parked to fund B3 reform, with a view to discussing as part of the overall FSS priorities.</p> <p>Given the high profile nature of Regulated Products and significant volume of work that we are having to deal with, alongside Reg Products reform, not filling post will significantly increase the potential for FSS (and therefore Ministers in Scotland) failing to meet it's legal obligations for facilitating the authorisation of regulated products as part of the GB regulated products service.</p>
Food Crime & Incidents	£80k	<p>There is a significant risk for the organisation should it be faced with a non-routine incident which require additional spend. The same is true of any complex investigations which require extra spend to conduct the investigation e.g. phone/computer examination costs/analysis costs.</p>